From: NGrandquis@aol.com [mailto:NGrandquis@aol.com]
Sent: Tuesday, November 28, 2006 10:17 AM
To: regs.comments@occ.treas.gov; regs.comments@federalreserve.gov; Comments; regs.comments@ots.treas.gov
Subject: Comments on proposed Interagency Illustrations for Non-Traditional Mortagage Pro

November 27, 2006

Attention: Public Information Room,
Mail Stop 1-5

Docket No. 06-12

Office of the Comptroller of the Currency

250 E Street, SW

Washington, DC 20219

Docket No. OP-1267

Jennifer J. Johnson

Secretary, Board of Governors of the Federal Reserve System

20th Street and Constitution Avenue, NW

Washington, DC 20551

Robert E. Feldman

Executive Secretary

Attention: Comments

Federal Deposit Insurance Corporation

550 17th Street, NW

Washington, DC 20429

Attention: No. 2006-36

Regulation Comments

Chief Counsel's Office

Office of Thrift Supervision

1700 G Street NW

Washington, DC 20552

Re: Proposed Interagency Illustrations for Non-Traditional Mortgage Products

Dear Officials of Federal Bank and Thrift Agencies:

As Board Chair/president of the Alexandria Affordable Housing Corporation and a member of the National Community Reinvestment Coalition (NCRC) I appreciate the opportunity to comment on the proposed interagency illustrations for non-tradiational mortgage products. These proposed disclosures will help provide a clear understanding of nontraditional mortgages and their implications for consumers.

Below are suggestions for improving the illustrations to ensure that borrowers fully understand the nontraditional products they may be considering. These suggestions mimic those submitted by NCRC as they completed a thorough review of what items would maximize consumer protections.

Illustration 1:

- Under "Additional Information" under the bullet for "Home Equity" for the third sentence, we recommend adding the following italicized lines so that the sentence reads:

  > "And, if you make only the minimum payments on a mortgage with a payment option feature, you maybe increasing the amount you owe *(therefore reducing your equity)* because unpaid interest is added to the loan balance."

- Under "Additional Information" under the bullet for "Prepayment Penalties", there should be clear examples of how a prepayment penalty works for a prime versus a subprime loan. For example, lenders typically have a tiered process for payment penalties with prime loans (3% in the first year, 2% in the second year, and 1% in the third year). However with subprime loans, lenders typically require borrowers to pay out 6 months of the interest regardless of when they prepay their loan. This approach taken by subprime lenders is usually more expensive for borrowers. These differences should be thoroughly explained to borrowers.

Illustration 2:

- The cell under the “Option Payment” column and the “Minimum Monthly Payment Year 1-5” row is very confusing to follow, especially as these details are only described under the footnote which many readers might not notice. The example shows the rate changing after the first month (which would indicate a change in the monthly payment), but then says that the payment stays the same through the first year.

If the monthly payment changes after the first year (despite the rate changing after the first month), then there should be another dollar amount listed next to “$600” to reflect the minimum monthly payments for year 2-5 (the rate for these years is 6.4%). If the monthly payment changes after the first month, then the example should clearly illustrate that $600 is the payment for the first month only and should also display the payment for the second month through the end of year 5.

In general, it is essential to list out this projected minimum monthly payment as option ARMS are a highly complicated product to understand given their constantly changing rates and the varying amounts of payments a borrower can make.

- Since illustration 2 shows monthly payments in year 8, displaying total amounts owed and loan balances through year 8 would complete the illustration and make it more understandable.

General Comments:

- It should be emphasized that disclosure illustrations should be distributed at the time of the loan application process so that borrowers have sufficient time to review and fully understand the warnings and notifications being supplied to them.

- Disclosure illustrations should be printed in larger font (Times New Roman, font size 14) so that they are more prominent and more likely to be read. Illustrations could be printed double-sided to reduce paper, if needed. We also recommend using red-colored font and/or color paper.

NCRC believes that your new guidelines and proposed illustrations will help raise consumer awareness about the truth behind these risky products. However, even the best disclosure requirements are not completely sufficient. The process of purchasing a home tends to be overwhelming, chaotic, and often does not provide an ideal environment for thoroughly and clearly explaining all of the available options and their extensive impacts to borrowers. Because of this, strong consumer disclosure requirements need to be augmented with tough regulations and enforcement. We ask the regulators to be vigilant in implementing their guidelines on nontraditional mortgages.

Please give these suggestions every consideration and I applaud each Agency for undertaking this important endeavor. We tend to forget that home mortgages are typically the largest purchase consumers make in their lives (and some never have the opportunity) which makes them most vulnerable to predatory lenders.

Sincerely,

Nancy Grandquist Fields

Nancy Grandquist Fields, Board Chair/president
Alexandria Affordable Housing Corporation
4119 Earl Drive
Alexandria, Louisiana 71303
Tel: 318.442.7458
Cell: 318.308.1116
Fax: 318.442.7141